

Consolidated Financial Statements

**Quest PharmaTech Inc.**

Nine months ended October 31, 2022  
(Unaudited)

# **Quest PharmaTech Inc.**

National Instrument 51 – 102  
Continuous Disclosure Obligations

## **Notice**

Pursuant to Part 4.3 (3) of National Instrument 51 – 102, these unaudited interim consolidated financial statements of Quest PharmaTech Inc. for the nine-month period ended October 31, 2022 have not been reviewed by the Company's auditors.

# Quest PharmaTech Inc.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (see note 1 – going concern uncertainty)

As at

	October 31	January 31
	2022	2022
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash	481,704	264,340
Accounts receivable <i>[note 14]</i>	211,456	320
Prepaid expenses	35,945	23,490
	<b>729,105</b>	<b>288,150</b>
<b>Non current</b>		
Property and equipment <i>[note 4]</i>	3,283	16,457
Non-current prepaid expenses	10,420	10,420
Investment in OQP Bio bonds <i>[note 13]</i>	80,218,210	80,218,210
Investment in OncoQuest <i>[note 13]</i>	8,135,377	10,495,335
	<b>88,367,290</b>	<b>90,740,422</b>
	<b>89,096,395</b>	<b>91,028,572</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	21,792	108,599
Lease obligation <i>[note 4]</i>	—	13,998
Short term loan <i>[note 8]</i>	1,000,000	500,000
	<b>1,021,792</b>	<b>622,597</b>
<b>SHAREHOLDERS' EQUITY</b>		
Common shares <i>[note 5]</i>	30,705,716	30,616,716
Contributed surplus	11,217,397	11,064,397
Accumulated other comprehensive loss <i>[note 13]</i>	(50,335)	(50,335)
Retained earnings	46,201,825	48,775,197
	<b>88,074,603</b>	<b>90,405,975</b>
	<b>89,096,395</b>	<b>91,028,572</b>

See accompanying notes

# Quest PharmaTech Inc.

## CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

	For the three months ended October 31		For the nine months ended October 31	
	2022	2021	2022	2021
	\$	\$	\$	\$
<b>EXPENSES</b>				
General and administrative	129,505	68,140	518,277	466,235
Research and development	20,609	33,537	98,821	155,067
	150,114	101,677	617,098	621,302
<b>Loss before the undernoted</b>	<b>(150,114)</b>	<b>(101,677)</b>	<b>(617,098)</b>	<b>(621,302)</b>
<b>Other income (expenses)</b>				
Financial expenses	(5,718)	(2,254)	(15,660)	(10,093)
Equity income (loss) - OncoQuest <i>[note 13]</i>	(1,085,452)	(8,991,955)	(2,359,958)	(8,722,162)
Cost recoveries	30,000	60,000	120,000	181,255
Sale of investment in Bioceltran Co., Ltd. <i>[note 14]</i>	300,000	—	300,000	—
Foreign exchange gain / (loss)	150	3,463	(656)	2,836
	(761,020)	(8,930,746)	(1,956,274)	(8,548,164)
<b>Net and comprehensive income (loss) for the period</b>	<b>(911,134)</b>	<b>(9,032,423)</b>	<b>(2,573,372)</b>	<b>(9,169,466)</b>
<b>Basic income (loss) per share</b>	<b>\$ (0.005)</b>	<b>\$ (0.054)</b>	<b>\$ (0.015)</b>	<b>\$ (0.055)</b>
<b>Fully diluted income (loss) per share</b>	<b>\$ (0.005)</b>	<b>\$ (0.054)</b>	<b>\$ (0.015)</b>	<b>\$ (0.055)</b>

See accompanying notes

## Quest PharmaTech Inc.

### CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital - common shares	Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings	Total shareholders' equity
	\$	\$		\$	\$
<b>Balance, January 31, 2022</b>	30,616,716	11,064,397	(50,335)	48,775,197	90,405,975
Share issuance <i>[note 5]</i>	89,000	—	—	—	89,000
Share based payments <i>[note 7]</i>	—	153,000	—	—	153,000
Net loss for the period	—	—	—	(2,573,372)	(2,573,372)
<b>Balance, October 31, 2022</b>	<b>30,705,716</b>	<b>11,217,397</b>	<b>(50,335)</b>	<b>46,201,825</b>	<b>88,074,603</b>

*See accompanying notes*

# Quest PharmaTech Inc.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the 3 months ended Oct 31		For the 9 months ended Oct 31	
	2022	2021	2022	2021
	\$	\$	\$	\$
<b>CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES</b>				
Net income (loss) for the period	(911,134)	(9,032,423)	(2,573,372)	(9,169,466)
Items that do not involve cash				
Amortization	311	9,679	13,174	29,032
Share-based payments <i>[note 7]</i>	—	—	153,000	270,500
Allocation of (income) loss from OncoQuest <i>[note 13]</i>	1,085,452	8,991,955	2,359,958	8,722,162
Net change in working capital <i>[note 9]</i>	(231,690)	(4,332)	(310,398)	9,371
	(57,061)	(35,121)	(357,638)	(138,401)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Share issuance - exercise of stock options <i>[note 5]</i>	20,000	—	89,000	—
Short term working capital loan <i>[note 8]</i>	—	—	500,000	—
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>	<b>20,000</b>	<b>—</b>	<b>589,000</b>	<b>—</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Lease obligation reduction	—	(10,166)	(13,998)	(30,052)
<b>NET CASH GENERATED FROM INVESTING ACTIVITIES</b>	<b>—</b>	<b>(10,166)</b>	<b>(13,998)</b>	<b>(30,052)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(37,061)</b>	<b>(45,287)</b>	<b>217,364</b>	<b>(168,453)</b>
Cash and cash equivalents, beginning of period	518,765	75,948	264,340	199,114
<b>Cash and cash equivalents, end of period</b>	<b>481,704</b>	<b>30,661</b>	<b>481,704</b>	<b>30,661</b>

See accompanying notes

# Quest PharmaTech Inc.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended October 31, 2022

### 1. CORPORATE INFORMATION AND GOING CONCERN UNCERTAINTY

#### Corporate information

Quest PharmaTech Inc. (“Quest” or the “Company”) is a publicly traded, Canadian based pharmaceutical company developing products to improve the quality of life. The Company is developing targeted cancer therapy with its lead product (MAb AR9.6), under development for a novel target (truncated O-glycans on MUC16) discovered at University of Nebraska Medical Center.

The Company also holds an equity interest in several companies, including a 42.52% equity interest in OncoQuest Inc. (“OncoQuest”), a private Canadian biotechnology company developing next generation of combinatorial immunotherapy products for the treatment of cancer. OncoQuest’s technology platform included a panel of tumor antigen specific monoclonal antibodies of the immunoglobulin G (“IgG”) and E (“IgE”) class targeting CA125, MUC1, PSA, Her2/neu, CA 19.9 and TAG72; and the application of combinatorial immunotherapy to enhance tumor specific immunity and clinical outcome. On April 22, 2020, OncoQuest announced a definitive agreement to sell its drug portfolio to Dual Industrial Co., Ltd. (renamed as OncoQuest Pharmaceuticals, Inc or “OQP Korea” in May, 2020) in exchange for OQP Korea bonds and cash with a notional value of US\$308.4 million and a commitment to fund the Oregovamab Phase 3 Clinical Trial. The asset transfer agreement (“ATA”) transaction completed its second closing in February 2021 and as a result all legal title and registrations for OncoQuest’s immunotherapy assets were transferred to OQP Korea. In return, OncoQuest received US\$125 million of OQP Korea bonds convertible into OQP Korea shares, US\$8.4 million in cash, and an OQP Korea unsecured 1% interest bearing corporate bond for USD\$175 million, exchangeable into 65,229,709 shares of OQP Korea with an ascribed notional value of US\$175 Million subject to regulatory approval. As the requisite approvals have not yet been received and the trading in the shares of OQP Korea has been suspended on the KOSDAQ Exchange in March 2021, OncoQuest management are working with OQP Korea management to resolve these issues as quickly as possible and monetize the consideration received in the transaction with OQP Korea. In May 2021, OQP Korea determined to spin out the biotechnology business, comprised of the immunotherapy assets, into a separate company that will pursue a public listing on a different exchange. In August 2021, the reorganization was implemented, and OQP Korea’s biotechnology business assets were transferred to OQP Bio, Inc. (Korea), a private Korean company. In January 2022, OncoQuest issued an in-kind dividend of OQP Bio bonds to its shareholders, including to Quest. The dividend received by Quest has a face value of KRW129.1 billion and an estimated fair value on October 31, 2022, of Cdn\$80.2 million.

Other equity investments for Quest include an 10.67% interest in OncoVent Co., Ltd., a China-based global pharmaceutical company focusing on the development, manufacturing and commercialization of Cancer Immunotherapy Products within China with pancreatic cancer as its first target; In September 2022, the Company sold its ownership interest in Bioceltran Co. Ltd. for proceeds of \$300,000. \$90,000 was paid on execution of the sale agreement and the remaining \$210,000 is payable within 12 months. As part of the transaction, the Company also terminated the exclusive license for the Photodynamic Therapy technology.

# Quest PharmaTech Inc.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended October 31, 2022

### 1. CORPORATE INFORMATION AND GOING CONCERN UNCERTAINTY [CONTINUED]

The Company's head office is located at 8123 Roper Road NW, Edmonton, Alberta, Canada T6E 6S4 and it is incorporated under the Business Corporations Act (Alberta). The Company's functional currency is the Canadian dollar. The Company is publicly traded on the TSX Venture Exchange under the symbol "QPT".

These consolidated financial statements have been authorized for issue by the Company's Board of Directors on December 19, 2022.

#### Going concern uncertainty

The Company's consolidated financial statements have been prepared on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company has experienced significant cash outflows from operations since its inception.

While the Company has reported a net loss of \$2,573,372 for the nine months ended October 31, 2022 (year ended January 31, 2022 - net loss of \$85,088,910) and a shareholders' equity of \$88,074,603 (January 31, 2022 - shareholders' equity of \$90,405,975), the Company has consolidated cash reserves of only \$481,704 at October 31, 2022 (January 31, 2022 - \$264,340) and as at October 31, 2022 had a working capital deficiency of \$328,632 (January 31, 2022 - working capital deficiency \$357,937). In addition, in March 2021, trading in the shares of OQP Korea was suspended on the KOSDAQ exchange which impacts the ability of OncoQuest to monetize the OQP Korea bond consideration received by OncoQuest under the ATA, to pay for the costs of the ATA transaction including Canadian income tax and to distribute any ATA net proceeds to its shareholders, including Quest. Accordingly, there is a material uncertainty that may cast significant doubt regarding the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is uncertain and is dependent upon its ability to raise additional capital to successfully complete its research and development programs, commercialize its technologies, conduct clinical trials and receive regulatory approvals for its products, and upon the ability and timing to monetize the consideration received in the transaction with OQP Korea. It is not possible at this time to predict the outcome of these matters. The Company's consolidated financial statements do not reflect any adjustments to the classifications and carrying values of assets and liabilities, or to the amounts reported as earnings per share, that may be required should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business. The Company intends to address this uncertainty through new share or debt issuances, licensing arrangements and/or strategic partnerships.



# Quest PharmaTech Inc.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended October 31, 2022

### 2. BASIS OF PREPARATION

The unaudited consolidated financial statements of the Company were prepared following the same accounting policies as disclosed in note 3 in the audited consolidated financial statements for the years ended January 31, 2022 and 2021. These unaudited consolidated financial statements for the nine months ended October 31, 2022 should be read in conjunction with the consolidated financial statements for the years ended January 31, 2022 and 2021 and the notes thereto. These unaudited consolidated financial statements for the nine months ended October 31, 2022 do not include all of the required disclosures for annual consolidated financial statements.

#### Statement of Compliance

These consolidated financial statements have been prepared by management in accordance with IAS 34 “Interim Financial Reporting” using accounting principles consistent with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

#### Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention.

### 3. INTANGIBLE ASSETS

All intangible assets have been fully amortized.

#### Targeted Cancer Therapy Technologies

The Company is developing a novel approach for cancer therapy using a combinatorial approach for optimal efficacy. Lead product (MAb AR9.6) under development is for a novel target (truncated O-glycans on MUC16) for cancer therapy discovered at University of Nebraska Medical Center. MAb AR 9.6 binds to MUC16 and blocks the activation of growth factor receptors and thereby inhibit phosphorylation of Akt, which leads to reduced cell proliferation, in vivo tumor growth and metastasis.

# Quest PharmaTech Inc.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended October 31, 2022

### 4. PROPERTY AND EQUIPMENT

	Computer Equipment	Furniture and Fixtures	Office Equipment	Manufacturing and Research and Development Equipment	Leasehold Improvements	Leased Assets – 8123 Roper Road	Totals October 31, 2022
Cost, February 1, 2022	96,397	12,114	31,494	457,983	10,224	183,484	791,696
Additions	—	—	—	—	—	—	—
Deletions	—	—	—	—	—	—	—
Cost, October 31, 2022	96,397	12,114	31,494	457,983	10,224	183,484	791,696
Accumulated amortization, February 1, 2022	94,495	12,114	31,494	455,662	10,224	171,250	775,239
Adjustments	—	—	—	—	—	—	—
Amortization	412	—	—	528	—	12,234	13,174
Accumulated amortization, October 31, 2022	94,907	12,114	31,494	456,190	10,224	183,484	788,413
<b>Net book value</b>	<b>1,490</b>	<b>—</b>	<b>—</b>	<b>1,793</b>	<b>—</b>	<b>—</b>	<b>3,283</b>

#### Right-of-Use Leased Assets

Effective February 1, 2019, the Company has recorded leased assets related to the Company's right-of-use for its lease space at 8123 Roper Road NW Edmonton. The lease is effective until May 31, 2022 with no renewal provisions in the lease agreement. The Company has a minimum annual lease payment obligation of \$42,516. Based on an estimated incremental borrowing rate of 5.95%, the Company has recorded leased assets of \$183,484. At October 31, 2022, the lease obligation is estimated to be \$nil.

# Quest PharmaTech Inc.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended October 31, 2022

### 5. SHARE CAPITAL

#### Authorized

Unlimited number of common shares without nominal or par value

Unlimited number of first preferred shares

Unlimited number of second preferred shares

The first and second preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series.

#### Issued

	<b>Number of common shares</b>	<b>Amount \$</b>
<b>Common shares</b>		
<b>At January 31, 2021 and 2022</b>	168,239,247	30,616,716
Shares issued pursuant to the exercise of options	890,000	89,000
<b>At October 31, 2022</b>	<b>169,129,247</b>	<b>30,705,716</b>

The following options to purchase common shares were outstanding at October 31, 2022:

<b>Exercise price</b>	<b>Options outstanding</b>	<b>Weighted average remaining life</b>	<b>Options exercisable</b>
\$	#	(years)	#
<b>0.09</b>	<b>1,400,000</b>	<b>.74</b>	<b>1,400,000</b>
<b>0.10</b>	<b>5,775,000</b>	<b>.73</b>	<b>5,775,000</b>
<b>0.115</b>	<b>2,050,000</b>	<b>.98</b>	<b>2,050,000</b>
<b>0.15</b>	<b>3,225,000</b>	<b>.74</b>	<b>3,225,000</b>
<b>0.18</b>	<b>1,250,000</b>	<b>.42</b>	<b>1,250,000</b>
<b>0.23</b>	<b>1,720,000</b>	<b>.76</b>	<b>1,720,000</b>
<b>0.25</b>	<b>3,110,000</b>	<b>.53</b>	<b>3,110,000</b>
	<b>18,530,000</b>	<b>.71</b>	<b>18,530,000</b>

# Quest PharmaTech Inc.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended October 31, 2022

### 5. SHARE CAPITAL [CONTINUED]

The following schedule details the warrants and share-based payment transactions granted and expired:

	Shares issuable on exercise of			
	Warrants		Share options	
	Number of shares #	Weighted average exercise price \$	Number of shares #	Weighted average exercise price \$
<b>Balance, January 31, 2021</b>	—	—	<b>18,295,000</b>	<b>0.15</b>
Granted	—	—	2,500,000	0.11
Expired	—	—	(2,050,000)	0.10
Exercised	—	—	—	—
<b>Balance, January 31, 2022</b>	—	—	<b>18,745,000</b>	<b>0.15</b>
Granted	—	—	1,700,000	0.09
Expired	—	—	(1,025,000)	0.10
Exercised	—	—	(890,000)	0.10
<b>Balance, October 31, 2022</b>	—	—	<b>18,530,000</b>	<b>0.15</b>

On April 11, 2022, the Company issued 690,000 common shares at \$0.10 per share pursuant to the exercise of share options. The shares were issued to 2 officers and 2 consultants of the Company.

On October 11, 2022, the Company issued 200,000 common shares at \$0.10 per share pursuant to the exercise of share options. The shares were issued to a consultant of the Company.

### Share options

For the nine months ended October 31, 2022, the Company granted 1,700,000 share options, as per the Company's Share Option Plan to employees and non-employees at exercise prices ranging from \$0.09 to \$0.10 per share, vesting immediately on date of grant (see Note 7 – Share Based Payments).

For the nine months ended October 31, 2021, the Company granted 2,500,000 share options under the Company's Share Option Plan to employees and non-employees at exercise prices ranging from \$0.10 to \$0.115 per share, vesting immediately.

On November 27, 2015, the Company obtained shareholder approval to amend its Share Option Plan such that the aggregate number of common shares eligible for issuance under the Share Option Plan shall not exceed 25,000,000. At October 31, 2022, 6,470,000 options are available for issue.

# Quest PharmaTech Inc.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended October 31, 2022

### 5. SHARE CAPITAL [CONTINUED]

#### Basic and diluted income / (loss) per share

Basic and diluted income / (loss) per share has been calculated using the weighted average number of common shares outstanding during the period (2022 – 168,752,324; 2021 – 168,239,247).

### 6. CAPITAL DISCLOSURES

The Company is a biotechnology company and consistent with other companies in the industry, the Company's objectives when managing capital are to safeguard its accumulated capital in order to maintain its ability to operate as a going concern so that it can continue with its drug development program and strive to maximize shareholder value. Capital is defined by the Company as shareholders' equity (primarily comprising of share capital, contributed surplus and retained earnings). The Company manages its capital structure and makes adjustments to it based on the needs of the Company's operations and the requirement for funding to continue with the Company's drug development program. The Company does this through new share or debt issuances, selling assets or licensing its technologies to third parties to fund operations. The Company is not subject to any externally imposed capital requirements.

### 7. SHARE-BASED PAYMENTS

For the nine-month period ended October 31, 2022, the Company granted a total of 1,700,000 (2021 – 2,500,000) share options under the Company's Share Option Plan. The fair value of options vesting in 2022 of \$153,000 (2021 - \$270,500) was recognized as a share-based payment expense and credited to contributed surplus for the nine-month periods ended October 31, 2022, and 2021. There were no forfeitures of Company's share options during the nine-month periods ended October 31, 2022, and 2021.

The Company used the Black-Scholes option pricing model to estimate the fair value of these options. The Company considers historical volatility of its common shares in estimating future share price volatility. The following assumptions were used:

	2022	2021
Dividend yield	0.00%	0.00%
Volatility	272%	292%
Risk-free interest rate	2.70%	1.44%
Expected life (years)	10.0	10.0
Fair value per option	\$0.09	\$0.112

# Quest PharmaTech Inc.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended October 31, 2022

### 8. RELATED PARTY TRANSACTIONS

Cost Recovery - Executive Services Agreement - In July 2020, the Company entered into an Executive Services Agreement with OncoQuest whereby the Company's officers render executive services to OncoQuest for a fee of \$10,000 per month.

During the year ended January 31, 2022, the Company received 2% interest bearing debt funding of \$250,000 from OncoQuest Inc. During the 9-month period ended October 31, 2022, the Company received a further \$500,000 of 2% interest bearing debt funding from OncoQuest. In total, the Company has received \$1,000,000 of 2% interest bearing debt funding from OncoQuest Inc. The funding is for drug development and operational purposes, is short term and repayable within 12 months. The Company has accrued \$20,338 of interest on this debt funding to October 31, 2022. All of these transactions were recorded at the exchange amount which is the amount agreed to by the related parties.

On April 11, 2022, the Company issued 690,000 common shares at \$0.10 per share pursuant to the exercise of share options. The shares were issued to 2 officers and 2 consultants of the Company.

### 9. SUPPLEMENTAL CASH FLOW INFORMATION

#### NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS RELATED TO OPERATING ACTIVITIES

Three and nine months ended October 31

	Three Months	Three Months	Nine Months	Nine Months
	2022	2021	2022	2021
	\$	\$	\$	\$
Accounts receivable	(205,073)	(1,178)	(211,136)	29,891
Prepays	(31,679)	(4,726)	(12,455)	39,727
A/P and accrued liabilities	5,062	1,572	(86,807)	(60,247)
	(231,690)	(4,332)	(310,398)	9,371

### 10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments include cash, accounts receivable, the OQP Bio bonds, accounts payable and accrued liabilities and the short-term loan.

#### a) Carrying value and fair value

The carrying values of cash, accounts receivable, accounts payable and accrued liabilities and the short-term loan approximate their fair value due to the immediate or short-term maturity of these financial instruments.

# Quest PharmaTech Inc.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended October 31, 2022

### 10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT [CONTINUED]

#### Fair value

All financial instruments carried at fair value are categorized in one of three categories:

Level 1 – Quoted market price

Level 2 – Market observable valuation technique

Level 3 – Non-market observable valuation technique

During the nine-month period ended October 31, 2022, there were no transfers between levels of the fair value hierarchy. The OQP Bio bonds are designated as fair value through profit or loss and are categorized as a Level 2 financial instrument.

#### b) Risks

##### i) Foreign currency risk

The Company has certain assets and liabilities that are denominated in foreign currencies and are exposed to risks from changes in foreign exchange rates and the degree of volatility of these rates.

At October 31, 2022 the Company's exposure to foreign currency risk is US\$2,103 in cash and KRW 129.1 billion in OQP Bio bonds. The period-end rate of conversion of U.S. to Canadian dollars is 1.3649 and KRW to Canadian dollars is 0.000956. Based on the foreign currency exposures noted above, a 10 percent strengthening of the Canadian dollar would have increased the net loss by \$12,341,293, assuming that all other variables remain unchanged. A 10 percent weakening of the Canadian dollar would have an equal but opposite effect, assuming that all other variables remain unchanged.

At January 31, 2022 the Company's exposure to foreign currency risk was US\$5,023 in cash and KRW 129.1 billion in OQP Bio bonds. The year-end rate of conversion of U.S. to Canadian dollars is 1.2719 and KRW to Canadian dollars is 0.001054. Based on the foreign currency exposures noted above, a 10 percent strengthening of the Canadian dollar would have increased the net loss by \$13,619,636, assuming that all other variables remain unchanged. A 10 percent weakening of the Canadian dollar would have an equal but opposite effect, assuming that all other variables remain unchanged.

The Company currently does not use derivative instruments to reduce its exposure to foreign currency risk.

# Quest PharmaTech Inc.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended October 31, 2022

### 10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT [CONTINUED]

#### ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's exposure to liquidity risk is dependent on its ability to raise funds to meet its commitments and sustain its operations. The Company controls liquidity risk by managing its working capital and by securing additional funds through equity, debt or partnering transactions (see Capital Disclosures, note 6). The Company only has cash reserves of \$481,704 at October 31, 2022 (January 31, 2022 - \$264,340). As such, there is a liquidity risk for the Company at October 31, 2022.

#### iii) Credit risk

Financial instruments that subject the Company to credit risk consist primarily of cash and short-term investments and accounts receivable. To minimize its exposure to credit risk for cash and short-term investments, the Company invests surplus cash in short-term deposits that are fully guaranteed by the Company's financial banker, a major Canadian chartered bank. At period end, 99% of accounts receivable was due from an individual resident in Korea.

#### iv) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's cash and short-term investments are comprised of highly liquid deposits that earn interest at market rates. Accounts receivable and accounts payable bear no interest. The Company manages its interest rate risk by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis. The Company's policy limits the investing of excess funds to liquid government guaranteed deposits or guaranteed investment certificates.

### 11. COMPENSATION OF KEY MANAGEMENT

Key management includes directors and executives of the Company. The compensation paid or payable (including share-based payments) to key management for services during the three and nine months ended October 31, 2022 and 2021 is shown below:

	Three months ended October 31		Nine months ended October 31	
	2022	2021	2022	2021
	\$	\$	\$	\$
Employee Compensation	81,250	27,500	288,917	220,000
Director Compensation	-	-	93,000	57,500
	81,250	27,500	381,917	277,500



# Quest PharmaTech Inc.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended October 31, 2022

### 12. INVESTMENT IN ONCOVENT CO., LTD.

On March 4, 2016, the Company's equity investee, OncoQuest, signed a joint venture contract with Shenzhen Hepalink. The agreement resulted in the creation of a new company in China called OncoVent Co., Ltd. ("OncoVent"), to focus on the research and development of Cancer Immunotherapy Products for the Chinese market. Under the agreement, OncoQuest licensed the greater China rights to the Immunotherapy Technologies and provided US\$1,000,000 for 46% of the shares of OncoVent. Shenzhen Hepalink contributed US\$5,000,000 for 54% of the shares of OncoVent. As part of the agreement, OncoQuest transferred a portion of its shares in OncoVent to Quest and to another party such that Quest owns 10.67% and the other party owns 6%, respectively, of the shares of OncoVent. Management believes the creation of OncoVent will provide additional resources for product development that equity investee OncoQuest can access to accelerate its worldwide product registration strategy. OncoVent will focus on the development, manufacturing and commercialization of Cancer Immunotherapy Products within China with pancreatic cancer as its first target. On October 31, 2016, Shenzhen Hepalink contributed US\$5,000,000 to OncoVent. On November 1, 2016, OncoQuest contributed \$1,337,900 (US\$1,000,000) to OncoVent.

For financial statement purposes, Quest accounts for its investment in this affiliated entity under the Equity Method. OncoVent began operations in November 2016.

	\$
<b>Balance, January 31, 2016</b>	-
Investment in joint venture, November 1, 2016	1,337,900
Equity method share of loss for the year ended January 31, 2017	(475,771)
Transfer of 6% interest to third party	(174,509)
<b>Balance, January 31, 2017</b>	<b>687,620</b>
Equity method loss for the year ended January 31, 2018	(331,442)
<b>Balance, January 31, 2018</b>	<b>356,178</b>
Equity method loss for the year ended January 31, 2019	(324,877)
<b>Balance, January 31, 2019</b>	<b>31,301</b>
Equity method loss for the three-month period ended April 30, 2019	(31,301)
<b>Balance, April 30, 2019 and onwards to October 31, 2022</b>	—

### 13. INVESTMENT IN ONCOQUEST INC.

The Company owns 42.52% of the common shares of OncoQuest Inc. The Company accounts for this investment using the Equity Method of accounting. OncoQuest recorded a net loss for the year ended January 31, 2022 of \$135,828,030 (USD108,421,728). This loss resulted from OncoQuest writing down the value of the OQP Bio bonds by \$133,277,067 (USD106,384,787) due to the lack of liquidity and marketability of the bonds. Quest, with a 42.52% ownership interest in OncoQuest at January 31, 2022, recorded an Equity Method loss of \$57,754,078.

Quest reduced the value of its investment in OncoQuest at January 31, 2022 by recording a fair value adjustment of \$26,748,980, and a foreign exchange adjustment in other comprehensive loss

# Quest PharmaTech Inc.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended October 31, 2022

### 13. INVESTMENT IN ONCOQUEST INC. [CONTINUED]

of \$50,335 so that Quest's investment in OncoQuest would not exceed \$10,495,335, Quest's percentage ownership interest in OncoQuest at year end of 42.52% multiplied by OncoQuest's shareholders' equity at January 31, 2022 of \$24,683,289 (USD 19,406,627).

The January 2022 dividend received by Quest from OncoQuest reduced Quest's investment in OncoQuest by a further \$80,218,210. The dividend was an in-kind dividend of OQP Bio bonds with a face value of KRW129.1 billion and an estimated fair value of Cdn\$80.2 million.

OncoQuest recorded a net loss for the 9-month period ended October 31, 2022 of \$5,535,973 (USD4,274,883). Quest, with a 42.52% ownership interest in OncoQuest at October 31, 2022, recorded an Equity Method loss of \$2,359,958.

The Company's equity investment in OncoQuest is as follows for the year ended January 31, 2022 and for the nine month period ended October 31, 2022:

	Year Ended
	January 31
	\$
<b>Investment in OncoQuest at January 31, 2021</b>	<b>175,266,938</b>
Equity Method income (loss) for the year ended January 31, 2022	(57,754,078)
Fair value adjustment at January 31, 2022	(26,748,980)
Other comprehensive loss – foreign exchange	(50,335)
January 2022 in-kind dividend from OncoQuest	(80,218,210)
<b>Investment in OncoQuest at January 31, 2022</b>	<b>10,495,335</b>
Equity Method income (loss) for the 9-month period ended October 31, 2022	(2,359,958)
<b>Investment in OncoQuest at October 31, 2022</b>	<b>8,135,377</b>

#### OQP Bio Bonds received as a dividend by Quest:

Bond name	Face Value (KRW)	Applied discount	Fair value (KRW)	Fair value (Cdn)
OQP Bio bond # 10	20,415,802,312	0.00%	20,415,802,312	21,518,256
OQP Bio bond # 12/13	19,406,110,515	0.00%	19,406,110,515	20,454,040
OQP Bio corp bond	89,268,108,367	59.35%	36,286,445,823	38,245,914
	<b>129,090,021,194</b>		<b>76,108,358,650</b>	<b>80,218,210</b>

Quest, with advice from independent valuation advisors, used a discount rate of 59.35% to fair value the OQP Bio corporate bond, due to the uncertainty regarding the ability to redeem the OQP Bio

# Quest PharmaTech Inc.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended October 31, 2022

### 13. INVESTMENT IN ONCOQUEST INC. [CONTINUED]

corporate bond for cash or shares of OQP Bio. As well, Quest used an exchange rate of 948.767 KRW to 1 Canadian dollar, the exchange rate on January 14, 2022 when the dividend was issued, for all of the OQP Bio bonds, to arrive at an estimate of fair value in Canadian dollars. As the OQP Bio bonds are denominated in KRW, the value of the bonds in Canadian dollars may be subject to exchange rate fluctuations. Since OQP Bio is a private company, with limited liquidity, Quest is negotiating to exchange the OQP Bio bonds for bonds or shares of Canaria Bio M, a Korean KOTC traded company.

#### OncoQuest Summarized Financial Information:

	As at October 31 2022	As at January 31 2022
	USD	USD
Current assets	\$30,991,156	\$58,019,060
Non-current assets	\$nil	\$521
Current liabilities	\$17,689,611	\$40,443,153
Non-current liabilities	\$nil	\$nil

	For the 3 months ended October 31 2022	For the 3 months ended October 31 2021	For the 9 months ended October 31 2022	For the 9 months ended October 31 2021
	USD	USD	USD	USD
Revenue	\$nil	\$nil	\$nil	\$nil
Net income / (loss)	(\$1,917,382)	(\$15,889,614)	(\$4,274,883)	(\$15,379,538)
Other comprehensive income / (loss)	\$nil	\$nil	\$nil	\$nil

Summarized financial information for Quest's other investment, OncoVent, is not included in these financial statements because the information is not considered to be material at this time.

### 14. SALE OF INVESTMENT IN BIOCELTRAN CO., LTD.

In September, 2022, the Company sold its ownership interest in Bioceltran for proceeds of \$300,000. \$90,000 cash was paid on execution of the sale agreement and the remaining \$210,000 is payable within 12 months. As part of the transaction, the Company also terminated the exclusive license for the Photodynamic Therapy technology.

# **Quest PharmaTech Inc.**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the nine months ended October 31, 2022**

### **15. SUBSEQUENT EVENTS**

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may impact operating activities and will depend on future developments, including the duration and spread of the outbreak, related travel advisories and restrictions, the recovery times of the disrupted supply chains, the consequential staff shortages, and production delays, or the uncertainty with respect to the accessibility of additional liquidity or capital markets, all of which are highly uncertain and cannot be predicted. There was no perceived impact for the Company for the nine-month period ended October 31, 2022 and for the period of time subsequent thereto.